

Accelerating the Performance of High-Potential Leaders



TALENT LEADERSHIP

HCI White Paper

March 27, 2007

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EXECUTIVE SUMMARY

One of the critical challenges facing companies today is an overall shortage of management talent, and the potential for not having the right leaders in place to meet future business challenges. Often the best and most cost effective source for finding strong leaders is within your own organization. But the process for identifying and/or developing new leaders can be daunting and risky.

The percentage of unemployed college graduates over the age of twenty-five has dropped in just the past three years, from 3.2% to 2.1%.

Duncan Mathison, Managing Director of Executive Coaching at DBM believes that the key to ensuring an organization has the leaders it needs when it needs them is to accelerate the performance of high potential leaders, so that their skills and leadership abilities are as strong as possible when they are needed.

"We've seen a significant shift in our workforce," Mathison reports, "a shift driven by three factors that are converging to create 'the perfect storm.'" The first factor is the retirement age of many in our organizations' leadership¹, which is creating a demand to replace current leadership.¹ The second is that there is truly a smaller pool of talent. If you look at the percentage of unemployed college graduates over the age of 25 in just the past three years, it's dropped from three point two percent to two point one percent. Finally, organizations are becoming flatter. The implications of this are the

challenges of being able to prepare individuals to make the significant leaps in capability that are required when someone moves from a functional management role to a cross-functional leadership role. Above all, Mathison believes, these three factors are the strongest argument for the development of programs that prepare new leaders to step quickly into leadership positions.

Organizations with effective succession planning policies in place have already taken steps to meet this challenge and curtail its consequences. Forward-thinking companies include leadership development as part of their succession strategy, yet this may not be enough, according to Mathison.

Through a discussion lead by Duncan Mathison with several experts in the field of leadership development, this paper will examine the following topics:

- The impact of leadership development on shareholder value
- Identifying and distinguishing between high-performance and high-potential employees
- The right investment to prepare high-potential employees and realize the best return for your development dollar
- Development strategies that build leadership skills as well as those that can hinder performance

STRATEGIC VALUE OF HIGH POTENTIAL LEADERSHIP DEVELOPMENT

The research is clear: better leadership drives bottom-line profits. The top 10% of high performing leadership talent accounts for nearly two times the profit over the middle 80% of leadership, as shown in Figure 1².

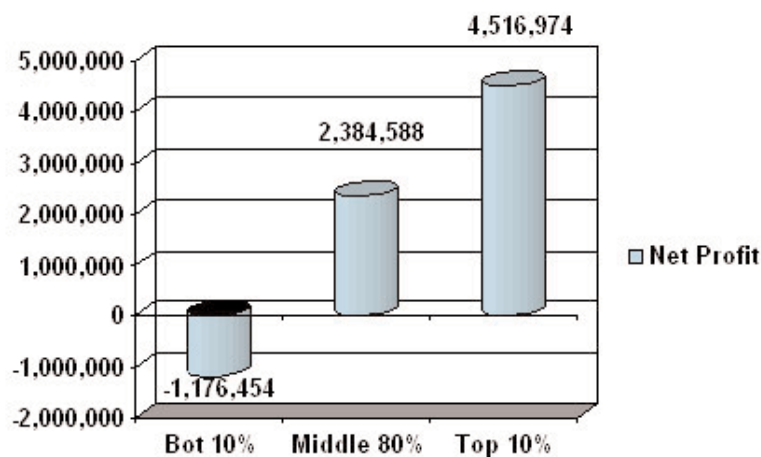
High-potential leaders need to be linked to where the organization is moving, and their talent leveraged within a very specific context of what the organization is trying to achieve.

The metric shown in Figure 1 underscores the importance of leadership development. Yet how best does an organization focus development resources? Judith Glaser, CEO of Benchmark Communications, Inc., believes, "Most vital in high potential programs and developing high potential leaders, is putting together a program and engaging potential leaders in a way that uplifts them and focuses them on the strategic initiatives that are driving the organization's success. It's important that they're participating not only in real-life work that needs to be done, but in work that helps build the strategic direction in which the company is headed." Mathison goes on to say that when considering the creation of assignments in a development program, "Don't assign them 'make-work' opportunities; they really need to be linked to where the organization is moving, and their talent leveraged

within a very specific context of what the organization is trying to achieve."

Paul Bly, Senior Manager of Talent Management at the Thomson Corporation raises another aspect of a high potential leadership development program that may be overlooked. "We have to take into account those who are not included in a high potential program. One of my concerns is what happens to those people who are high performers - people we absolutely need to keep in an organization and are essential to success -- but we don't think they're going to advance beyond their current level. One of the things we can do to help manage their disappointment - often around seeing they're being passed over for new opportunities - is being very clear about the criteria and expectations used for inclusion in the high potential program, so it's not seen as some mysterious black box or that some people are being given special treatment." Bly believes that while high performing employees passed over for a high potential program may still be disappointed, with clear criteria and expectations and proper communication, they will understand the value they bring to the organization.

Figure 1



Regardless of the particular leadership development program chosen in the end, Mathison and others agree that it has to reach deep enough into the organization to build bench strength. Figure 2 illustrates the importance of high potential bench strength and its relationship to the return on investment (ROI) for a development program.

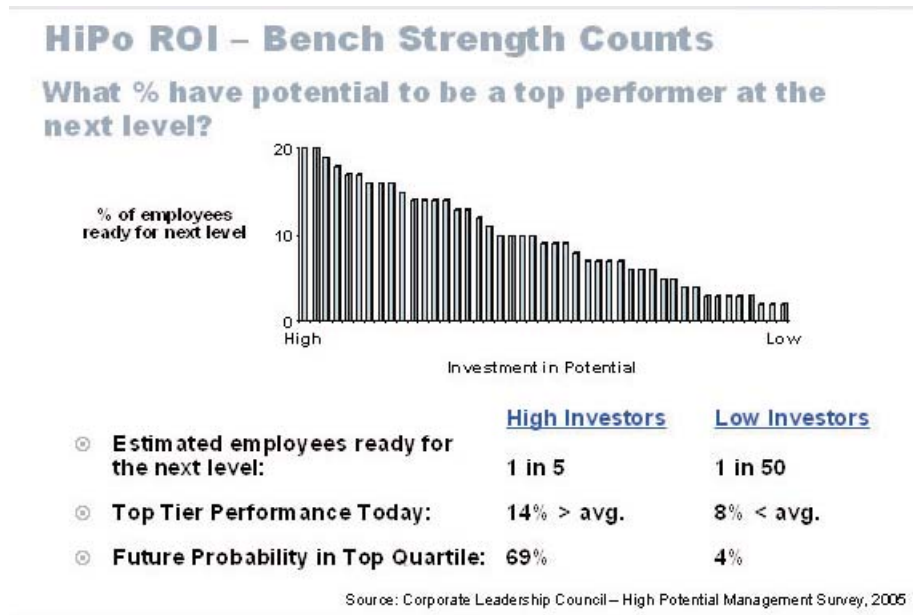
A company needs to already have in place a strong focus on development of people and a culture of engagement in general.

On this point, Mathison cautions that disappointment with being passed over for a promotion or development program may link back to whether or not these individuals received good career counseling when they accepted their role. "I've worked with executives who have failed in their organizations and have been terminated," says Mathison. "When one examines what they really enjoyed and valued in their career, those aspects may not have aligned with a higher level of leadership responsibility.

While they may have liked the idea of a senior-level title, when they look at the work involved, it seems neither satisfying nor engaging, and ultimately isn't all that appealing to them."

To address this issue, Estrella Parker, Director of HR Technology and Operations at Clorox Corporation, recommends "A company needs to already have in place a strong focus on development of people and a culture of engagement in general. It's realistic to expect that people can go in and out of being a high potential, depending on their situation. You want to be able to engage people consistently, so that when they're back on track they're still with your organization." With a solid foundation in development, maintains Parker, employees who are high performers but not necessarily high potential leaders "get the message that the organization values them and still invests in their development." Mathison agrees that part of the answer to the issue of those not included in a high potential program is to "make sure that high performers still have a development program and a career track."

Figure 2



One fact that might be discussed with all employees is that being a high performer doesn't necessarily lead to a high potential for leadership, as illustrated in Figure 3.

HIGH PERFORMERS VS. HIGH POTENTIALS

This discussion leads Mathison to another aspect of leadership development. He recalls an example about an executive in a fast-food chain who wanted

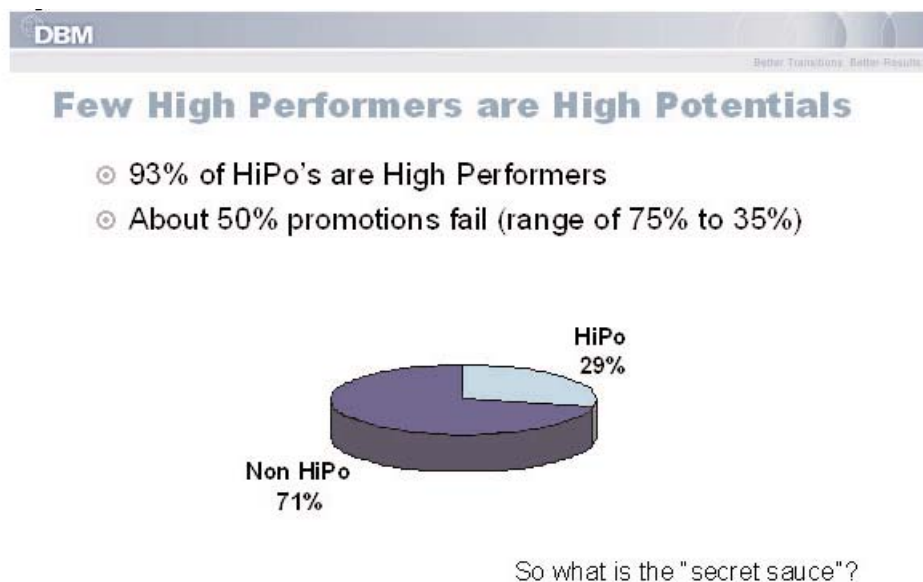
"As we think of all the experiences a high potential needs in a portfolio, some of those experiences may indeed be lateral."

to move to a greater leadership role in the company. Her CEO suggested that one way to do this was to essentially accept a demotion in order to gain experience by running a field operation. Mathison observes that the path to leadership doesn't necessarily mean frequent and successive promotions. Mathison and others emphasize the importance of

an on-going dialogue that helps people develop in their current roles and provides a platform on which they can qualify for other opportunities.

"I think perhaps the concept here is the 'career lattice' versus the 'career ladder,' says Mark Walztoni, Managing Director of The Center for Effective Leadership Change. "In fact as we think of all the experiences a high-potential needs in a portfolio, some of those experiences may indeed be lateral." This is why Walztoni feels that communication and candor are critical parts of a leadership development program. "I think the traditional view of high potentials is just up and up, and that can lead to a point where someone is missing a key developmental experience. Then, when they get to that penultimate position, the head of a business unit or group, the missing developmental experience now becomes their Achilles' heel." Thus, communicating to a high potential that leadership development may not necessarily follow a linear, upward path is essential, "otherwise someone who doesn't understand this may simply leave the company," Walztoni says.

Figure 3



Sources: Corporate Leadership Council (2005); DeVries (1992); Sessa and Campbell (1997)

"Quite frankly things do change, and people do move in and out of being high-potential leaders."

"We can spend too much time on the labeling, rather than on the comment made earlier about having a developmental culture," observes Richard Fluri, Chief HR Officer at Drinker, Biddle, & Reath LLP. "Where you're developing a corps of key managers and leaders the labeling can be problematic, because quite frankly things do change, and people do move in and out of being high potential. When you label someone as high potential and later not, that's a difficult conversation to have with someone. So I would spend more time on the developmental process to grow leaders." Fluri notes that with more time spent on development in general, managers can scrutinize how assignments are chosen for high potential or high performance employees. "You might have a situation in Asia that calls for a high performer, someone who can hit the ground running, rather than sending a high potential to gain experience. So I would spend less time on labeling."

Most companies do not have unlimited resources to develop everyone, not do they have unlimited development opportunities. Mathison agrees, "I have some concerns about the "high potential" label, because there's all sorts of baggage associated with that it. It suggests you've arrived at some level of performance, but does that really drive or challenge people to the next level? Around this labeling issue, the communication plan has to be more than just telling them it's part of an overall development strategy, because people will figure it out if they're being used differently than their peers."

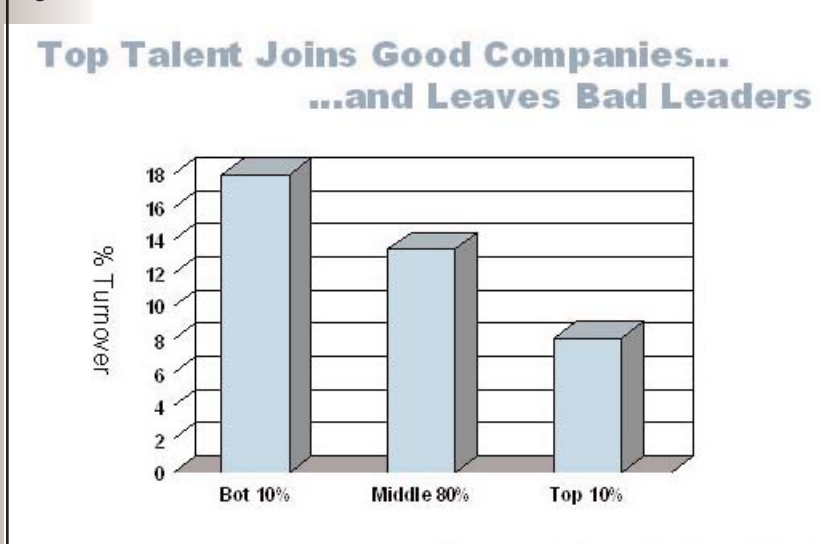
Judith Glaser recommends, "Instead of getting

caught up in labels that have a judgmental nature - you're in or you're out - which creates a sense of 'dis-empowerment' to those who fall out of a category considered 'good,' talk to people about their aspirations and opportunities. In other words, encourage people to think about where they want to be, how they want to grow, and how an organization can find opportunities to let them exercise some of the leadership skills they'd like to develop that also contribute to the organization. I believe that's a vital conversation, because it looks for where there's mutual support and gain with both parties, and it removes the sense of judgment from the conversation."

Yet Mathison has talked to senior executives who like to define people as high potential and tell them about high potential leader development programs, because it gives people something to which they can aspire. "It brings up questions: To what degree is there a dialogue between an individual and an executive team or committee where it's stated that the individual will be given specific developmental assignments? Do you involve the individual, or is this a more covert activity?"

In Walztoni's experience, activity toward undisclosed goals in its extreme can lead to people finding out that they are considered a high potential employee during the exit interview. Fluri adds that if a high potential leader who leaves the company voluntarily discovers his or her status during the exit interview, then the individual probably wasn't managed properly at all, and the organization failed to meet his or her needs. Avoiding unnecessary turnover of high potentials through intentional management and communication is crucial because the talent pool for replacing high potentials will increasingly be one of less capable leaders.

Figure 4³



Mark Walztoni believes that "true high potential talent is owned by the organization and not a business unit." In the example of a high potential unaware of that status until the exit interview, Walztoni describes this as a case where the unit manager was afraid the individual would be tapped for a larger role in the organization outside the manager's unit.

Mathison underscores the importance of manager involvement in leadership development referencing research on employee engagement. Employees identified manager interest in their careers as a key factor of engagement but conversely rated their managers' ability to support their careers as a "dead last" competency. In other words, Mathison observes, "managers certainly have insight and influence about their peoples' careers, but developing those careers isn't perceived to be part of their core skill set."

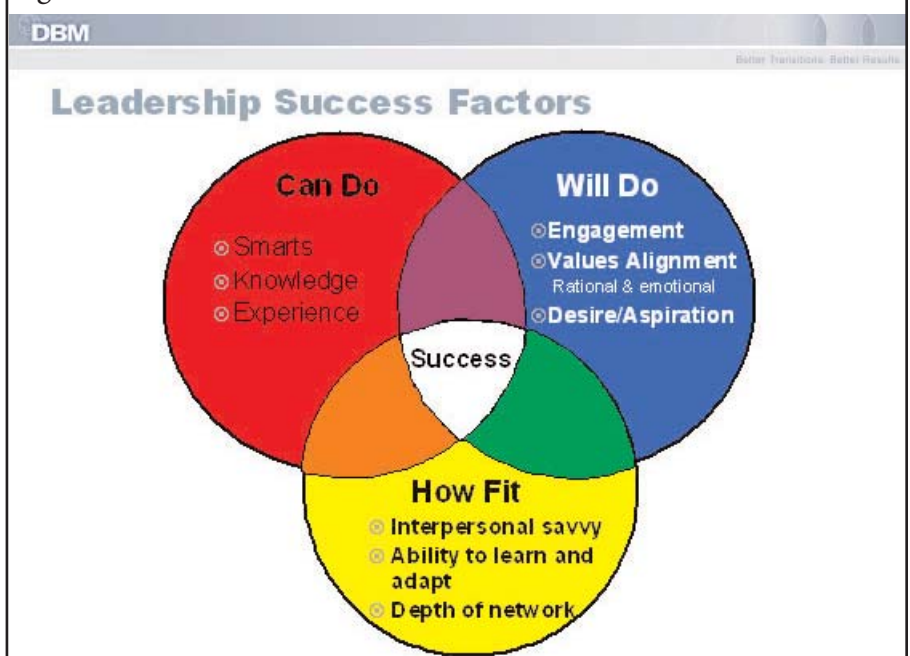
LEADERSHIP SUCCESS FACTORS

Leadership success as well as career alignment hinges on three factors: Can do, Will do, and Fit, as shown in Figure 5.

Mathison finds that issues around what a potential leader will do and how he or she fits into a leadership role can be obscured by what a person can do, and fit and ability are behind nearly 100% of leadership failure.

"Can do" are the competencies of intelligence, knowledge, and experience that drive early career high performers by providing a functional foundation for their future growth. "Will do" can vary over the length of a career. It has a rational component as individuals weigh where to put their energies and focus. "Will do" drives the "above and beyond" behavior needed for personal development, but it can be derailed by a bad boss, the absence of development planning conversations with talent, or sim-

Figure 5



ply by being overlooked. "Fit" is the cause of most failures of leadership. Critical self-awareness, feedback, and appropriate action are essential to achieving fit, as are high-quality professional relationships based on the free flow of information. Mathison identifies engagement and desire/aspiration as the key competencies in "will do," and the ability to learn and adapt as the key competency of "fit."

The importance of communication to high-potentials has previously been discussed. Key leadership conversations refine identified targeted candidates. Mathison provides a four-square model to demonstrate the process [see Figure 6].

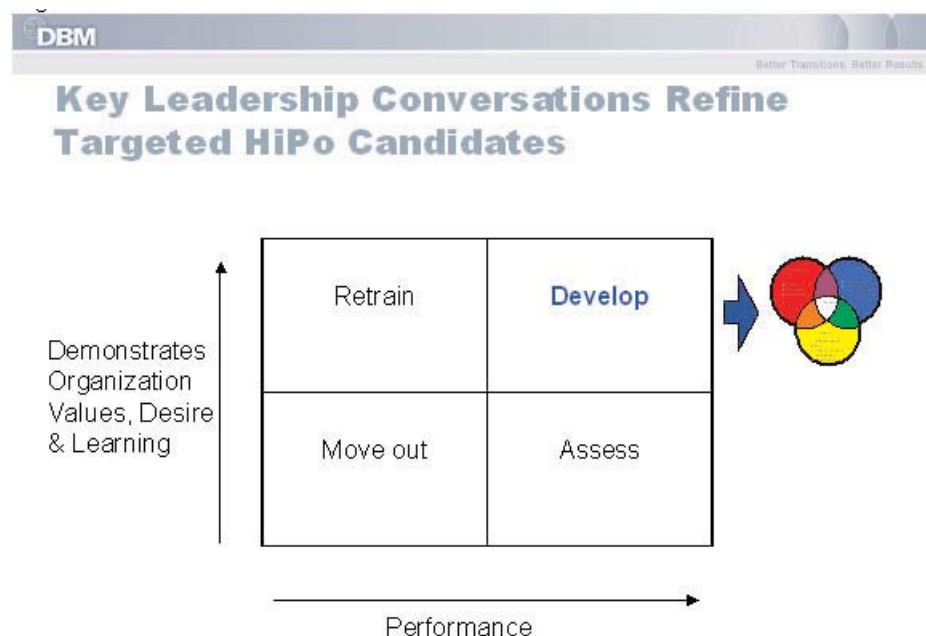
The key here is to carefully assess those who are high-performers but may not have all the qualities associated with high potentials, in terms of long-term career fit to the organization. "Sometimes they attempt to become high performers at all costs," Mathison warns, "and the 'noise' they create can be problematic." They may or may not change, but they can create "workarounds" to minimize the

impact of their weaknesses. "The litmus test is that truly successful people develop because they know themselves better, they seek out feedback on their own, and they act more often on the feedback," says Mathison. When selecting high potentials, identify those qualities in addition to the "will do" qualities essential for the above and beyond behavior required for development.

THE PROS AND CONS OF "CRUCIBLES"

The "70-20-10" rule of career development states that 70% of development comes from experience, 20% from learning from others, and 10% from self-development, training, and further education⁴. The issue of developmental "crucibles"⁵, and their importance as a testing ground for high potential leaders relates directly to the experiential aspect of career development. Developmental assignments that have high stakes, i.e. special projects, deliverables with tight deadlines, or the necessity to put together and lead a team on short notice are essential. "Hardships and challenge matter more to the

Figure 6



development of high-potential leader than just having the experience," Mathison observes, "because such experiences keep the best people engaged. Leadership challenge, in fact, can be built in to the assignment's structure."

But Mathison and others caution there are drawbacks. There's resistance to "betting the business" on untried leadership, and too many short rotational assignments can actually hurt development. "We tend to give high potential leaders more of the busy work at the task level and that, in fact, misses the power of what a high potential initiative should be about, which is the deeper challenges that are more complex," says Judith Glaser. Perhaps the biggest drawback is that the weaknesses of high potential leaders in a crucible situation may be diagnosed by their failures rather than their successes. One way to avoid pitfalls is to determine beforehand an assignment's learning potential. Most assignments have learning potential, but it's important that the potential is what the employee needs. For most high potential leaders, assignments need to include personal challenges, people, business, and project management, and provide core job experience.

ACCELERATED PERFORMANCE: LINK IMPROVED LEARNING AND EXPERIENCE TO BUSINESS OUTCOMES

High potential leaders can deliver positive contributions more quickly with a focused development program, that is, one that links learning and experience to business results. An organizational culture of talent development, as Estrella Parker recommends above, are crucial. Criteria for selection and entry into the program need to be clearly communicated and consistent with an organization's values. Furthermore, as Mathison and others have

argued, any discussions with high potentials must be integrated into a broader talent management review process. The key players in an accelerated performance program partnership form a "Development Review Board" for an individual. This board would include the high potential employee and his or her professional network, a manager, an executive development coach, and a development review board to target developmental elements interact in concert to affect the four major steps of an accelerated performance process:

AWARENESS, ANALYSIS, ACTION, AND ACHIEVEMENT

Checking for the completion of these four steps will increase the outcomes of personal and business success for leadership talent and the organization.

AWARENESS

Mathison observes that self-assessment is rarely accurate about the individual's people skills. This cuts both ways: Top performers consistently rate themselves lower than derailed performers. In addition to critical self-assessment, then, 360-degree feedback coupled with a discussion of career goals helps provide the awareness of where an individual is and what his or her development needs are.

ANALYSIS

This step links development needs to assignment demands. This is where the insight of a development review board are crucial, in order to align assignments with the overall mission of the organization. The alignment exercise also ensures that high potential leaders see the value of their assignments to the company. The analytical process allows the parties to focus on the high risk of over-

using strengths, and identifies opportunities for the high potential to expand and manage professional relationships.

ACTION

The focus now shifts to an action plan. An action plan is most powerful when what the development review board wants the high potential to learn and accomplish in an assignment is linked with the business outcome of the project. In this way the power and knowledge of the executive coach, mentor, manager, HR leader, and expanded professional network can be leveraged for the best results.

ACHIEVEMENT

In the end, all parties involved want achievement: successful completion of a project, and the attainment of improved leadership skills. To this end, Mathison counsels a 6- to 12-month coaching period, but in the context of the assignment at hand. The coach could be a more or less constant presence, or could step in at critical times and then step back. It's also important to regularly measure business and developmental success during the course of the assignment, maintain independent and informal feedback, and modify the action plan with new goals and review board feedback.

CONCLUSION

Development of effective leadership is directly linked to business success. The criticality of this link, coupled with the inexorable demographic reality of the graying Baby Boomer generation, provide strong arguments for programs that nurture high potential leaders and accelerate their integration into organizational leadership positions. High levels of performance and low levels of turnover among the best leaders provide compelling ROI fig-

ures for investment in leadership development programs.

Yet, as has been discussed, leadership development programs are most effective when they are an integral part of an organization's culture and overall talent development and succession plans. Many - in fact most - high performer failures are ultimately due to a lack of assessment, proper communication, and appropriate deployment. A company-wide development plan for both high performers and high potential leaders is important, so that all employees, as Estrella Parker said earlier in this paper, "Get the message that the organization values them and invests accordingly in their development." An organization that thinks this way has already discerned the value of great leadership.

¹ The U.S. Bureau of Labor statistics states that 35.8 million people will become eligible for retirement during the next eight years.

² John H. Zenger, Joseph Folkman, *The Extraordinary Leader: Turning Good Managers into Great Leaders*, 2002 McGraw-Hill, NY

³ *ibid*

⁴ Linda Hodge, President, Hodge & Associates

⁵ A crucible is a cup-shaped container used to heat chemicals or metals to very high temperatures.

Based on the Human Capital Institute webcast, *Accelerating the Performance of High-Potential Leaders*, March 27, 2007

PRESENTER

Duncan Mathison
Managing Director
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For the past 14 years, Mr. Mathison has served with DBM consulting to organizations and their employees during times of radical change and upheaval caused by outsourcing, mergers, acquisitions and restructuring. His expertise includes the development of organizational change and career transition programs for workforce reductions, operational shutdowns, M&A's and redeployment. In addition, he has served as an Executive Coach for derailed and high potential executives. Mr. Mathison has developed and implemented workforce alignment and career transition solutions across a broad range of industries, communities and organizational levels from non-exempt employees to top executive level.

PANELISTS

Paul Bly
Senior Manager, Talent Management
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Paul Bly is the Senior Manager, Talent Management at The Thomson Corporation, an information services company with over 40,000 employees worldwide. In this role he focuses on talent, performance and succession management processes for the company's top 500 executives. Prior to joining Thomson, he was a senior consultant at Personnel Decisions International, where he focused on aligning HR investments with organizational strategy, designing and delivering training courses and assessment centers, and conducting research on personality and assessment tools. Dr. Bly has a Ph.D. and M.S. in Industrial/Organizational

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Chief HR Officer

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Rich is currently Chief Human Resources Officer at Drinker Biddle & Reath LLP located in Philadelphia Pennsylvania, where he is responsible for all H.R. activities within the firm spanning all lawyers and staff. Rich is a member of the Diversity Committee and for the past year has been instrumental in helping to craft the Firm's Diversity Strategic Plan. Prior to joining Drinker Biddle, Rich was a managing partner of a consulting firm specializing in executive coaching. Rich's career includes Head of Corporate Human Resources at the Campbell Soup Company and Vice President of Human Resources for a chemical company, Hercules Inc. where he led the Global Human Resource organization for this 3.3 billion dollar a year business and a worldwide staff of over 100 professionals. Rich has been an adjunct professor at Philadelphia University teaching International Human Resource in the MBA program.

Judith Glaser
CEO

Benchmark Communications, Inc.

Judith E. Glaser is an Organizational Anthropologist and advisor to CEOs and their direct reports to help them develop leadership capability for handling new challenges in a world of moving targets. As a result of her dynamic executive coaching style, executives are able to move to the next level of success, better equipped to help themselves, their teams and their organizations accomplish the following: redefine challenges, rethink strategies, reinvent new products and serv-

ices, build strong relationships with customers, leverage mergers and acquisitions and create new business models that drive profitability and growth - with a direct line of sight to the customer. Judith is the author of 2 best selling books: *Creating We: Change I-Thinking to We-Thinking & Build a Healthy Thriving Organization*, 2005 & *The DNA of Leadership*, 2006; Platinum Press an imprint of Adams Media, and has been interviewed in the media on leadership topics including NBC Today Show, NY Times, WSJ, Fox TV, Harvard Management Review and many more.

Estrella Parker

Director, HR Technology & Operations

Clorox Corporation

Estrella Parker brings fifteen-plus years of experience in Business Transformation and Human Capital Management. She has held progressive leadership responsibilities in large organizations including Kaiser Permanente, as VP of Human Resources and Prudential Insurance Co, as Director of Strategic Change, and has supported several Fortune 500 organizations in business transformation as management consultant for Gemini Consulting.

Mark Walztoni

Managing Director

The Center for Effective Leadership Changes

Mark Walztoni is the Managing Director of The Center for Effective Leadership Changes, a professional services firm that assists leaders to accelerate their effectiveness during the critical period after they accept a role within a new organization or are redeployed within their current one. His firm's services include assisting individual leaders, their teams, and their organizations to develop the key competencies that result in successful life-long pro-

fessional transitions. Effective performance is based on the foundation of these scalable competencies that ensures that stakeholder expectations are aligned, learning and development opportunities occur, and regular candid and actionable feedback results in mutual success. Prior to founding The Center for Effective Leadership Changes, Mark was the Senior Vice President of Global Human Resources for Thomson Prometric where he developed global onboarding and redeployment programs which created a competitive advantage in recruiting, engagement, and retention. Mark also held senior human resources management roles at American Express Company and Ernst & Young LLP in business unit, division, and corporate environments, and was the chief human resource officer for founding entrepreneurs in the consulting and technology sectors. Mark earned a Master of Arts in Organizational Psychology from Columbia University, the Senior Human Resources Professional designation, and a Certificate in International Human Resources Management. He is a Certified Executive Coach and international speaker on recruitment, retention, onboarding, and talent management for leading professional organizations including the Human Capital Institute, the Society of Human Resource Management, the Organizational Development Network, and Fortune Magazine.

MODERATOR

Joy Kosta

As Director of Talent Development and Leadership Communities at The Human Capital Institute, Joy brings twenty-five years of experience in multiple facets of organizational development, human resources and business management with an emphasis in customer satisfaction, service quality,

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ACKNOWLEDGEMENTS

This White Paper is made possible by DBM, sponsors of HCI's Talent and Career Transition Management Track.

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